

STATE OF NEW JERSEY  
CASINO CONTROL COMMISSION

IN RE:

- 4 1) REHEARING OF PETITION NO. 281707 :  
OF RESORTS INTERNATIONAL, INC., RESORTS :  
INTERNATIONAL HOTEL, INC., RESORTS :  
INTERNATIONAL HOTEL FINANCING, INC., THE :  
TRUMP HOTEL CORPORATION AND DONALD J. :  
TRUMP FOR DECLARATORY RULINGS; :  
7 2) APPLICATION OF THE TRUMP HOTEL : VOLUME III  
CORPORATION FOR THE ISSUANCE OF A CASINO :  
LICENSE; :  
8 3) APPLICATION OF RESORTS INTERNATIONAL : AFTERNOON  
HOTEL, INC. FOR RENEWAL OF ITS PLENARY : SESSION  
CASINO LICENSE AND ITS CASINO HOTEL :  
10 ALCOHOLIC BEVERAGE LICENSE (PRN 282701) :  
4) APPLICATIONS OF LECTROLARM CUSTOM :  
SERVICES, INC. AND INTERNATIONAL :  
INTELLIGENCE, INC. FOR RENEWAL OF THEIR :  
12 CASINO SERVICE INDUSTRY LICENSES; AND :  
5) PETITION OF RESORTS INTERNATIONAL :  
HOTEL, INC. AND RESORTS INTERNATIONAL, :  
13 INC. FOR WAIVER OF QUALIFICATION OF :  
SECURITY HOLDERS AND OF DEBENTURE HOLDERS :  
14 OF RESORTS INTERNATIONAL, INC. AND RESORTS :  
INTERNATIONAL FINANCING, INC. (PRN 303701);

Monday, February 8, 1988  
2:25 p.m.

3131 Princeton Pike  
Public Meeting Room  
Building No. 5  
Lawrenceville, NJ 0

## B E F O R E :

WALTER N. READ, CHAIR  
W. DAVID WATERS, VICE CHAIR  
CARL ZEITZ, COMMISSIONER  
E. KENNETH BURDGE, COMMISSIONER  
VALERIE H. ARMSTRONG, COMMISSIONER

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4 PRESENT FOR THE CASINO CONTROL COMMISSION:5 KAREN BIACHE, PRINCIPAL PROCEDURES ANALYST  
6 DARYL NANCE, PROCEDURES ANALYST7 ON BEHALF OF THE COMMISSION STAFF:8 JOHN R. ZIMMERMAN, DEPUTY DIRECTOR, LEGAL  
9 JOYOTTI M. FLEMING, ASSISTANT COUNSEL10 ON BEHALF OF THE DIVISION STAFF:11 MICHAEL VUKCEVICH, DEPUTY ATTORNEY GENERAL  
12 MICHAEL ROMANO, SENIOR AGENT  
13 JEAN ESCARPETA, SENIOR AGENT14 ON BEHALF OF PETITIONER RESORTS INTERNATIONAL, INC.15 STERNS, HERBERT, WEINROTH & PETRINO, ESQS.,  
16 BY: JOEL H. STERNS, ESQ. and PAUL M. O'GARA, ESQ.,  
and  
JOHN M. DONNELLY, ESQ.17 ON BEHALF OF TRUMP HOTEL CORPORATION18 RIBIS, GRAHAM, VERDON & CURTIN, ESQS.,  
19 BY: NICHOLAS L. RIBIS, ESQ.20 ON BEHALF OF TRUMP ORGANIZATION

21 HARVEY I. FREEMAN, ESQ. (NY Bar)

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I N D E X

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WITNESS:PAGE

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FOR RESORTS/TRUMP

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DONALD J. TRUMP

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Continued cross by Mr. Vukcevich

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By the Commission

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Recross by Mr. Vukcevich

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HARVEY I. FREEMAN

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Direct by Mr. Sterns

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Cross by Mr. Vukcevich

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By the Commission

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Recross by Mr. Vukcevich

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17

E X H I B I T S

18

NO.DESCRIPTIONEVD.

19

D-96      2/1/88 letter to Karl Braun  
              from Richard K. Weinroth

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2 CHAIRMAN READ: Let's come back to order  
3 again. Mr. Vukcevich, you had a question I guess you  
4 were about to pose.

5 MR. VUKCEVICH: Mr. Chairman, in  
6 response to that question, there was a letter dated  
7 February 1, 1988 to Mr. Karl Braun, Supervisor of the  
8 Shore Mainland Region of the Division of Coastal  
9 Resources from Richard K. Weinroth. That's a 14-page  
10 document which I have reviewed and that substantially  
11 answers the questions that I did have and fully  
12 explains each of the areas and I don't think that  
13 anything further could be gained through the  
14 questioning of this witness. And I have premarked  
15 that as D-96 and would offer that into evidence at  
16 this time.

17 CHAIRMAN READ: D-96. Again if you  
18 would, please, the date of it is?

19 MR. VUKCEVICH: February 1, 1988.

20 CHAIRMAN READ: Thank you.

21 Any objection to that, Mr. Ribis?

22 MR. RIBIS: I have no objection.

23 CHAIRMAN READ: Mr. Sterns?

24 MR. STERNS: I would attempt to object  
25 to anything Mr. Weinroth does.

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2

CHAIRMAN READ: Too late. We will receive that as D-96.

4

(At which time Exhibit D-96, February 1, 1988 letter to Karl Braun from Richard K. Weinroth was received and entered into Evidence.)

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CONTINUED CROSS-EXAMINATION

8

BY MR. VUKCEVICH:

9 Q Mr. Trump, I would like to show you exhibit  
10 D-7 which is entitled Taj Mahal Projected Budget.

11

I ask you to look that over, if you

12 would.

13

A Yes, sir.

14

Q Have you seen that projected budget before?

15

A I don't remember seeing it, no. This specifically I don't remember seeing.

17

Q Basically, the overall question, to the best of your ability, if you could answer it is, we spoke about possibly \$470 million in financing. The general question, I will give you both the general and specific one, is can you give us some idea of exactly what that money will be spent for? And in particular what I wanted to ask you in regard to D-7, if you know, the proposed budget includes amount owed to RII, if you follow that down, you can see \$38 million for

1                   Trump - By Commissioner Zeitz  
2 land cost and on the last page, page four, you can see  
3 various other amounts which total \$141,471,000.

4                   So the specific question is, does that  
5 \$475 million include any money that RINJ owes to RII?

6                   A     I am just not sure. I wasn't familiar with  
7 that and I am not sure of those details.

8                   Q     Can you give us a general idea of what the  
9 money will be spent for?

10                  A     Well, construction and interest. Primarily  
11 construction and interest, I guess, and management  
12 supervision, et cetera.

13                  Q     Thank you.

14                  MR. VUKCEVICH: No further questions.

15                  CHAIRMAN READ: If I had known that, we  
16 might not have quit before lunch.

17                  Mr. Zeitz.

18 EXAMINATION BY COMMISSIONER ZEITZ:

19                  Q     Mr. Trump, I just have a few questions.

20                  On that exhibit that Mr. Vukcevich just  
21 showed you, there is a \$38 million land cost, do you  
22 know where that comes from?

23                  A     I believe that is the cost of the land that  
24 Resorts purchased including the Housing Authority land  
25 and including a lot of the other land that they

1                   Trump - By Commissioner Zeitz  
2 purchased. I think they paid Golden Nugget about \$10  
3 million years ago and they paid various other people  
4 because again the Taj is only built on a portion of  
5 the Housing Authority land and the rest of it was land  
6 that was purchased over the course of a long period of  
7 time and they have approximately close to \$40 million  
8 in the land.

9                   Q     In the land.

10                  One thing I have difficulty  
11 understanding is, if you take the company Trump and  
12 you own everything that the company is and the  
13 company's obligations going forward become yours, and  
14 the 38 million or 40 million that has been spent for  
15 the land then becomes an expenditure in effect that  
16 you have already made?

17                  A     That's correct.

18                  Q     Do you have to raise the cash to pay  
19 yourself back for that; in other words, do you have to  
20 raise the \$38 million in cash?

21                  A     Well, the land has already been paid for.  
22 Essentially, it's a debit to the company, it's money  
23 that had been spent, and it's probably a pretty fair  
24 amount of money.

25                  I was surprised to see, you know,

1                   Trump - By Commissioner Zeitz  
2 originally speaking because I saw it awhile ago, but I  
3 was surprised to see the amount of the money that they  
4 had, considering some of the land is built on the  
5 Housing Authority piece also. It seems that they paid  
6 a fairly substantial amount for the land which was  
7 purchased a long time.

8                   Q     In the money you have to raise, you don't  
9 actually have to raise the money, the land cost?

10                  A     It's money that has been paid, so I guess  
11 you could say it's money that would be reimbursed back  
12 to the company, I think, from an accounting  
13 standpoint, but basically it's money that has been  
14 paid, the 38. That's not a fictitious number or  
15 anything, that's money that's actually been paid out.

16                  Q     Pardon me?

17                  A     In other words, it's a cost of the building  
18 itself.

19                  Q     Already reflected in what has already been  
20 spent?

21                  A     I believe that's correct, yes.

22                  Q     You indicated, without getting too terribly  
23 specific because I understand you are still in  
24 negotiations with at least one substantial banking  
25 institution, that the loan you are talking about would

1                   Trump - By Commissioner Zeitz

2 be at the prime rate?

3                   A     Well, it would be a rate around there,  
4 depending on what I was willing to give. It might not  
5 be at the prime rate, but it will be right around  
6 that, depending on what I am willing to do in terms of  
7 security for the loan.

8                   Q     Would it then move with the prime rate?

9                   A     Yeah. Generally, you know, the more that I  
10 give, it becomes prime because if I borrow, I borrow  
11 at prime or I can borrow below prime, so, you know, if  
12 I went out and borrowed the money, it would be at a  
13 very prime rate. It could be -- depending on what  
14 security there is, it could be a little above prime  
15 but it's in that general vicinity.

16                  Q     It's not necessarily decided because you  
17 were in negotiations, but you may have to support this  
18 with private assets outside of those of the company?

19                  A     It could very well be and that makes it more  
20 of a prime loan.

21                  Q     Is it, to any degree, contingent on the  
22 completion of the tender offer?

23                  A     Oh, yes, yes. Without the tender, there  
24 would -- you know, this loan wouldn't be possible.  
25 Nor would it be possible for me to borrow the money

1                   Trump - By Commissioner Zeitz

2 because again I guess it's nine or eleven percent of  
3 the company and I wouldn't be borrowing the money.

4                   Q     So that if you complete your negotiations  
5 with the bank between now and the end of the 75-day  
6 period that has been allowed for the tender offer to  
7 be completed and you sign those documents, they would  
8 have a conditional clause, that the bank loans, in  
9 other words, would be made even if it wasn't  
10 finalized?

11                  A     Yes, sir.

12                  Q     Subject to the tender offer being finalized  
13 and completed?

14                  A     Yes, sir.

15                  Q     I just have one more concerning this whole  
16 question of housing and the tract.

17                   Councilman Whalen of Atlantic City has  
18 made a proposal, I want to know if you have heard  
19 about it first, but I think it runs roughly this way:  
20 Let's assume a 1200 housing obligation, because I  
21 think that's what he is working with.

22                  A     Fine.

23                  Q     Effectively, I think what he has proposed is  
24 a deal by which Resorts would transfer the housing  
25 obligation from the tract to the CRDA target area in

1                   Trump - By Commissioner Zeitz  
2 the north inlet, the company would also undertake to  
3 assist the development of housing on Block 108. In  
4 return the company would agree -- would keep its  
5 option on the 30 or so acres remaining on the tract  
6 with an agreement to develop that as non-casino hotels  
7 from Pacific to the Boardwalk and provide commercial  
8 development from the area of the tract between Pacific  
9 and Atlantic.

10                  Have you seen anything specifically on  
11 that proposal?

12                  A     Not in exactly that form. The last part is  
13 the part that I wasn't that aware of. The development  
14 is non-casino hotels, the remaining portion of the  
15 tract so I haven't heard it in that form. I have  
16 heard where they would like to have the housing  
17 credits go more inland into the inlet as opposed to it  
18 being along the boardwalk, I had heard that. I hadn't  
19 heard they were wanting the rest to be developed as  
20 non-casino hotels specifically.

21                  Q     I happened to have a conversation with him  
22 and that is what he told me so I can represent to you  
23 that that's my understanding of exactly what he is  
24 proposing at this moment.

25                  A     Right.

1                   Trump - By Commissioner Zeitz

2                 Q     Do you think that can provide the basis for  
3     an agreement, and, of course, the Housing Authority  
4     would have to agree and other people would have to  
5     agree?

6                 A     Well, I think we have been having a very  
7     meaningful dialogue with the Housing Authority and  
8     their lawyers on the future as to -- you know, we need  
9     speed in order to get this thing done in terms of what  
10    is there but I think we have -- you know, I think we  
11    are very openminded to the whole concept of moving  
12    into the inlet, doing certain areas in the inlet. I  
13    had not heard the concept of what you are saying with  
14    the non-casino aspect on the boardwalk.

15                  I think we are very flexible on the  
16    whole issue. The big question is going to come, at  
17    some point somebody is going to have to make a  
18    determination as to the marketability of all of these  
19    units and that will be a big question. But we are  
20    flexible as to where to put it and how to put it and  
21    all of those other items I think, yes.

22                  COMMISSIONER ZEITZ: That's all I  
23    have.

24                  THE WITNESS: Thank you.

25                  CHAIRMAN READ: Mr. Burdge.

1                   Trump - By Commissioner Burdge

2                   EXAMINATION BY COMMISSIONER BURDGE:

3                   Q       When was the first time you thought about  
4                   taking Resorts private?

5                   A       Well, I think, as we discussed,  
6                   Commissioner, Mr. Schulte brought it up during our  
7                   original discussion and I guess it was, you know, it  
8                   was no great -- you know, it was probably something  
9                   that a lot of people thought could happen. I just  
10                  really never thought in terms of it because it was  
11                  impractical based on the price of the stock, but I  
12                  think really in terms of the offer itself, it was some  
13                  time after the hearings had ended and really probably  
14                  even after the approval of the management contract, in  
15                  terms of any meaningful thought process. You always  
16                  can think about taking something, but in terms of any  
17                  meaningful thought process, I think it was after that  
18                  and I just did it, I just went out and did it.

19                  Q       But you didn't have anything in your mind  
20                  prior to the last hearing about taking Resorts  
21                  private?

22                  A       Well, you know, again to answer the question  
23                  fairly, you always think in terms of -- I mean all you  
24                  have to do is pick up the Wall Street Journal and you  
25                  read so many different LBOs and leverage buyouts,

1                   Trump - By Commissioner Burdge  
2 that's always an option. It was an option even  
3 brought up to me by the independent directors through  
4 Mr. Schulte but I would say that I had not thought of  
5 it -- in terms of my own conscious, I had not thought  
6 of it at all and even remotely seriously until some  
7 time after the hearings, and I would even say after --  
8 you know, right around the time of the approval of the  
9 management contract and that had to do with the  
10 factors that I discussed before, basically, the  
11 reasons why.

12                 Q     You are saying after bloody Monday when you  
13 know the stock dropped, that didn't have any play on  
14 your mind to say Well, this would be a good  
15 opportunity for Donald Trump to take the stock, to  
16 take the company private because you know the stock  
17 was dropping? You also knew from the negative  
18 testimony that was given in the last hearing, that  
19 didn't help the stock price either?

20                 A     No, it didn't. I didn't want that testimony  
21 given either, Mr. Commissioner, as you probably have,  
22 you know, noticed at the time.

23                   In fact, we asked that it be given  
24 privately or it be given in some different forum, but  
25 I wasn't happy with having all of the various people

1                   Trump - By Commissioner Burdge

2         testifying at the last hearing. That probably did  
3         have an effect on the stock, it possibly had an effect  
4         on the stock. It was certainly a very open process,  
5         but the company was analyzed very strongly at the last  
6         hearing and, you know, it wasn't in a very positive  
7         vain unfortunately.

8                   It didn't help in any event, it didn't  
9         help with financing, it didn't help with the other.  
10        But again I think the financing might have been on the  
11        bigger picture and that's what is happening generally  
12        with this kind of financing.

13       Q        Why wouldn't the lenders finance the Taj for  
14       Resorts after you had bought in and you testified here  
15       today Paradise Island is a very profitable, valuable  
16       asset of the company and why couldn't you have used  
17       Paradise Island as a guarantee for additional monies?

18       A        Well, because it's outside of the United  
19       States and the banks are at this point -- I mean there  
20       are a number of reasons beyond this question, but it's  
21       outside of the United States. And the banks, as you  
22       have been reading, have been having lots of problems  
23       with foreign loan and foreign loan collections is one  
24       reason.

25                   And, you know, there are just a lot of

1                   Trump - By Commissioner Burdge

2 reasons why the banks wouldn't have done it and won't  
3 do it. There are also additional things, as I said  
4 before, that I can do for Resorts in terms of making  
5 those banks very happy with what they are doing and  
6 what they are lending that you can't do when you own  
7 nine percent of the stock.

8                 Q     You have estimated that it would take  
9 approximately \$930 million to complete the Taj today,  
10 do you still stick to that figure?

11                A     Well, you see part of the number that will  
12 be bringing it down will be the interest rate because  
13 interest factors are a very big factor in terms of  
14 construction. It's a huge factor but the interest  
15 rates should be very substantially lower. The amount  
16 of interest paid will be substantially lower by the  
17 fact that, as I explained before, I am doing the  
18 construction loan as opposed to borrowing the money  
19 and paying all of that interest.

20               So I don't know what the final number  
21 is based on that, but it gets to be, you know, a  
22 number which should be -- you know, hopefully, it's  
23 going to be less than that to a large extent because  
24 of the interest factors. As far as the construction  
25 is concerned -- you see there was a misconception for

1                   Trump - By Commissioner Burdge

2 years. For a long I was reading about 517 to \$525  
3 million for the Taj Mahal.

4                   Now, everybody thought the Taj Mahal  
5 was going to cost \$525 million. But that didn't  
6 include interest, that didn't include land, that  
7 didn't include a lot of soft costs, that didn't  
8 include a lot of other costs. That was construction  
9 costs. Construction is one element in the total cost  
10 of a building or anything.

11                  So you know everybody is thinking the  
12 Taj Mahal was going to cost \$525 million, that was  
13 purely on a construction basis, it was going to cost  
14 \$525 million.

15                  Of course, that raised, if you read the  
16 earlier reports, if you pick up newspapers from four  
17 years ago, I don't know how they came up with this  
18 number, but they had it down to \$187 million or  
19 something. \$187 million, I think that's just a wrong  
20 number. I have a feeling that that was probably going  
21 to be for a non-casino hotel. I don't usually use  
22 that as an sample because I suspect maybe it was \$180  
23 million and that was going to be for 1200 rooms of  
24 non-casino hotel without all of the costs of a casino  
25 and the associated things.

1                   Trump - By Commissioner Burdge

2                   You know, 525 million, before that it  
3 was 400 and 350 and 400, but I heard for a long time  
4 525 million, 517 to 525 million, but that is the hard  
5 cost of construction, that didn't include interest,  
6 land and a lot of other costs associated with it.

7                   I have never understood why people  
8 didn't say what the real cost of the Taj Mahal was.  
9 How can you say it's going to cost \$525 million when  
10 that doesn't include the land and it doesn't include  
11 all of the costs of construction and interest and  
12 other things.

13                  Q     Didn't you add to the original estimate by  
14 putting extras into the project?

15                  A     Well, you know, depending on what your  
16 definition is of extras.

17                  When you are opening a building with  
18 not nearly enough restaurants, I think they were going  
19 to have two or three restaurants in this building. I  
20 mean in Trump's Castle we have seven or eight; in the  
21 Plaza, it's similar numbers. Here is a building that  
22 is twice the size and they were having very few  
23 restaurants. They weren't going to build their food  
24 court, they cut down the casino size from 120 to  
25 100,000 feet, they weren't going to build the suites.

1                   Trump - By Commissioner Burdge

2 To me I don't look at that as being my adding extras,  
3 to me that's completing the building.

4                   In New York City they were building a  
5 convention center, and in order to cut the cost, I  
6 think they cut about 70,000 feet off the convention  
7 center. Then they tried to say Well, we saved money,  
8 we came in on budget. They actually didn't, they came  
9 in hundreds of millions of dollars over budget. That  
10 was a tactic that was used where they built a smaller  
11 building and tried to say it's coming in at the same  
12 kind of costs.

13                  You have to build a restaurant, you  
14 have to build a suite, you have to build the casino,  
15 you have to build the building. And so I would  
16 consider that would be the cost of building this  
17 building.

18                  And by the way, to build it later will  
19 cost three times and four times as much because when  
20 you are building a job where, you know, people are  
21 going up in beautiful brand new elevators with  
22 cinderblock and sheet rock and with all of the  
23 problems, and they ruin the elevators and you can't  
24 use them and you can't schedule them, it ends up  
25 costing you two or three or four times more.

1                   Trump - By Commissioner Burdge

2                   I just went through that at Trump's  
3 Plaza and there is nothing more difficult than to  
4 build in a building that is already occupied. So if  
5 we are going to build it, it has to be built now,  
6 otherwise later on -- sure, it can be built later on,  
7 but it's going to cost you three times as much and  
8 it's going to ruin your existing building.

9                   Q       Mr. Trump, hasn't every major casino in  
10 Atlantic City had building additions?

11                  A       Oh, sure, absolutely.

12                  Q       Don't they continue to have --

13                  A       Oh, absolutely.

14                  Q       -- the problems that you have just  
15 testified to?

16                  A       Absolutely. That's also one of the  
17 problems.

18                  Q       Don't people have to live within their  
19 means? It's just like when a family that starts out,  
20 they don't have any kids, maybe at the end of 20  
21 years, they have added on two or three bedrooms?

22                  A       I agree with you, but we are not talking  
23 about the kind of money that would have made that  
24 meaningful a difference even if we were assuming \$50  
25 million extra and then you have the right building.

1                   Trump - By Commissioner Burdge

2         The additional \$50 million, which would have been 150  
3         or more or thereabouts, the additional \$50 million is  
4         going to give you -- I mean to me the worse thing to  
5         happen with the Taj Mahal is for the building to open  
6         and for people to have been disappointed with it  
7         because the word of mouth on something like this, it's  
8         like a broadway show, I mean the word of mouth would  
9         have been devastating.

10               If you had lines going around the block  
11         for people standing at restaurants because they can't  
12         get food and can't be served, and we are building a  
13         big food court, you have to build it, it's not because  
14         I want to build it. The last thing in the world I  
15         want to do is build it but, you know, when you have  
16         the kind of anticipation for this building as I see,  
17         because everybody is asking about the Taj Mahal, the  
18         Taj Mahal, and then they go into the building and they  
19         can't get food or they can't get sweets or they can't  
20         get the kind of basic elements that weren't built, let  
21         alone a casino that would have been designed  
22         incorrectly because it was not designed as it was  
23         built, the steel was up for 120,000 feet, and they  
24         lopped off a side of the casino.

25               When you have that kind of anticipation

1                   Trump - By Commissioner Burdge

2     and the people go in and are disappointed, I mean we  
3     have seen a somewhat recent example of that where the  
4     people go in, it opens up big and then they get  
5     disappointed or whatever and they don't come back a  
6     second time.

7                   This building has to get the people to  
8     come back many, many times and, you know, to me I  
9     think it would have been a disaster if it opened up  
10   incorrectly.

11                  We are not talking about hundreds of  
12   millions, we are probably talking about a difference  
13   of \$50 million or so for what we are talking about or  
14   mentioning.

15                 Q     Are you telling me that you feel that your  
16   final cost will come in, let's say, around 850 million  
17   today instead of the 930? Could it come in as low as  
18   700 million?

19                 A     I don't know. I don't think so. I don't  
20   know what the costs are going to come in at, sir.

21                 I will tell you what, I think the hard  
22   costs will come in somewhere between 600 and 650.  
23   Those are the only costs I really have control over.  
24   I don't have control over what the interest rates are  
25   going to be beyond making an original deal, when you

1                   Trump - By Commissioner Armstrong  
2 get them as low. It would be a floating deal in any  
3 event in this particular case.

4                   The cost that I can somewhat control is  
5 the construction cost and those costs, I believe, will  
6 be between 575 and 650, which are pretty much the same  
7 as what we are anticipating now. If I can save a lot  
8 of money on interest, that's something that I would  
9 like to try to do.

10                  COMMISSIONER BURDGE: No further  
11 questions, Mr. Chairman.

12                  THE WITNESS: Thank you, sir.

13                  CHAIRMAN READ: Ms. Armstrong.

14 EXAMINATION BY COMMISSIONER ARMSTRONG:

15 Q                Mr. Trump, you indicated in your testimony  
16 that the papers, that is the media, judges by what is  
17 said at these hearings and you indicated that the  
18 value of the Resorts stock dropped tremendously after  
19 the last hearing and I think you just indicated to  
20 Commissioner Burdge that you feel that some of that is  
21 substantially due to the negative testimony which was  
22 given at the last hearing.

23                  Do you think that the Management  
24 Contract itself had an impact on the valued stock?

25 A                I think it may have had, it's a very

1                   Trump - By Commissioner Armstrong  
2 complicated question because when there was an article  
3 written that I may not be approved for the Management  
4 Contract in the New York Times, as I remember it, the  
5 stock dropped very precipitously.

6                   At the same time when it was approved,  
7 it continued to drop but the thing that really got it  
8 started dropping was an article that I wasn't going to  
9 do the deal because it looked like the Management  
10 Contract may very well not be approved or something to  
11 that effect. That seemed to be the tenor of the  
12 article. It was in the New York Times. It had a very  
13 negative effect, that aspect of it had a very negative  
14 effect. Even after it was approved, the stock also  
15 went down so I don't know. It's a tough question to  
16 answer.

17                 Q      I understand that Resorts cut back  
18 substantially on construction on the Taj site just  
19 before Christmas and I wonder if you could tell me  
20 what the basis for that was?

21                 A      No money.

22                 Q      You indicated that you are going to have  
23 heavy construction starting again on March 1?

24                 A      That's the date we are shooting at if we can  
25 have things cleared up where I am convinced -- I will

1                   Trump - By Commissioner Armstrong  
2 put my own money in at a certain point when I am  
3 convinced that it's only a statutory process we are  
4 going through for the rest of it. In other words, at  
5 some point maybe over the next two weeks or so it  
6 becomes more of a statutory thing. It's just like a  
7 closing that you know is going to happen.

8                   When that happens, I will put my own  
9 money into the company to get it going faster, to get  
10 the Taj going faster.

11                  Q      You commenced the tender offer I think as of  
12 last Friday?

13                  A      I don't know the exact date, Friday.

14                  Q      The expiration date was March 4?

15                  A      I believe that's correct, yes.

16                  Q      You are not anticipating getting all of  
17 those approvals and conditions met in Annex I by March  
18 4, are you?

19                  A      I would like to. We have -- I mean it's not  
20 overly complex. I think they could be approved in a  
21 week; I think they could be approved in a day, in a  
22 true sense if people wanted to approve them. We are  
23 not talking about a very complex situation, I don't  
24 believe, with the Housing Authority and we have been  
25 dealing, both parties have been dealing in good faith

1                   Trump - By Commissioner Armstrong  
2 with CAFRA and, you know, it's not very complicated to  
3 do.

4                   The problem with Resorts, I came into  
5 somewhat of a hornet's nest because they had so many  
6 different things out between housing commitments and  
7 this and that, they were lasting out there, they were  
8 out for it seems like years and they were never  
9 clarified, they were never straightened out and never  
10 put into order.

11                  I would like to consider myself a good  
12 manager, I am a good manager and I manage, I think,  
13 efficiently. I want to get everything cleaned up so  
14 we don't have to have the kind of turmoil that they  
15 have had. The time to clean it up is before you do it  
16 and essentially that's what I am trying to do. It's  
17 not very complicated. I think everybody understands  
18 the issues and there is no reason why it can't be done  
19 by that date.

20                  Q     If the merger is not consummated, if you  
21 have don't get the conditions met in Annex I or some  
22 other factor comes into play and in light of the  
23 stipulation that was introduced in this proceeding in  
24 which the Management Contract has been substantially  
25 modified in which you would waive any management fees

10 A I don't know. I really don't know.

11 Q Is that because you are that confident the  
12 merger will go through?

13           A       No. It's just -- I think I am confident  
14        that the merger will go through. I think the price  
15        that is being paid is a fair price, that's not the  
16        reason. I just don't know. I mean in a sense it's  
17        back to square one, if that should take place, it's  
18        back to square one. I don't know what would happen.

19 Q When you say "back to square one," does that  
20 include the possibility of attempting to renegotiate  
21 the stipulation that was introduced which has modified  
22 the Management Contract?

23           A     I don't think so. I don't think that would  
24 be something I would renegotiate. I think that would  
25 be the least of the problems. To be perfectly honest,

1                   Trump - By Commissioner Armstrong  
2       the Management Agreement, that would be the least of  
3       the problems.

4                   Q      Mr. Trump, you indicated, I think it was on  
5       cross-examination, Mr. Vukcevich was asking you some  
6       questions about the Housing Authority and the housing  
7       obligation that you feel that currently there is no  
8       market in the city for housing units. Where does that  
9       leave your plan that is before the CRDA in terms of  
10      preliminary approval for the 1200 units?

11                  A      Well, I think, and I say this and I say it  
12     against myself in a way, I think that I am a very big  
13     believer in location and in quality and I think that  
14     we have a better location than anybody else. And I  
15     think that the fact that the market isn't appropriate  
16     to build doesn't mean that you can't make money.

17                  I have seen people make a lot of money  
18     in bad housing markets because they had something that  
19     was better than anybody else.

20                  At the same time, I will tell you  
21     that's not necessarily a positive thing for the city  
22     or the inlet. You are talking about building a  
23     building on the water as opposed to building a  
24     building in the inlet and it may not be positive.

25                  As I say, everybody says, Well, what

1                   Trump - By Commissioner Armstrong  
2     difference does it make its pretty obvious. I think  
3     the building -- if we build those buildings, they will  
4     be modestly successful because we have a building on  
5     the Atlantic Ocean facing the water and I think it  
6     would be okay, I don't think it would be great, I  
7     think it will be okay.

8                   There is not -- there seems to be not  
9     much of a market. That building may, in fact, and  
10    this is my feeling and some of my own people disagree  
11    with me, Tony Glideman, head of housing in New York  
12    disagrees, this building may or may not be good for  
13    what else is happening in Atlantic City. The  
14    buildings we are proposing, I think on an individual  
15    basis, they would be successful buildings. The market  
16    though is not good.

17                  Q     You indicated that if the Housing Authority  
18     said that you had to build 1200 units that are related  
19     to the urban renewal tract that you might go along  
20     with it, you said if you get a subsidy and I wonder if  
21     you could clarify for me what subsidy you would be  
22     referring to?

23                  A     The subsidy, the one and a quarter percent  
24     to bring down the costs because we all know you can  
25     look at some of the jobs that were built, that doesn't

1                   Trump - By Commissioner Armstrong  
2 mean all of them are negative. You can look at some  
3 of the jobs, the Ocean Club and some of the other jobs  
4 on a free market basis, you know they don't sell,  
5 there is no reason to think ours are going to be so  
6 much better, they are going to become a hot property.  
7 The fact is we would need the subsidy, the one and a  
8 quarter percent.

9                   Q     You are referring to the CRDA credit, the  
10 direct investment credit?

11                  A     Yes, Ma'am.

12                  Q     That would be applicable to Resorts Castle  
13 and Plaza?

14                  A     I would put them all together because of the  
15 fact that it would be a big enough subsidy to get this  
16 job developed.

17                  Q     Are there any CRDA approvals that, in your  
18 mind, would be a condition to the merger agreement  
19 being consummated in terms of the language contained in  
20 Annex I, the various conditions and regulatory  
21 approvals, et cetera?

22                  A     I don't believe we have it in there but  
23 basically that would be a determination as to whether  
24 or not we built the housing. In other words, if we  
25 didn't get CRDA, we would give back the land or

1                   Trump - By Commissioner Armstrong  
2 whatever we do with the land, we just wouldn't build  
3 on, because you just have to have it. You have to  
4 have CRDA.

5                   Q     With regard to the question of the CRDA  
6 credit as it would possibly apply to Resorts, Resorts  
7 gained a CRDA credit for building housing on the urban  
8 renewal tract, are you aware or was that something  
9 that Resorts had contemplated before you acquired the  
10 stock in July?

11                  A     I don't think so. I think that was me.

12                  Q     That's what I thought.

13                  A     It was. I wish they had that imagination,  
14 maybe they wouldn't be in this situation. They were  
15 talking about housing like that and it was not -- it  
16 was just inappropriate, it wouldn't have worked, but I  
17 don't think they had anybody that knew housing in New  
18 York, they didn't know markets and housing and what  
19 was going to sell and what wasn't going to sell, you  
20 had to have the CRDA, I think.

21                  Q     When you were discussing the possible  
22 requirement of 1200 units for the urban renewal tract,  
23 you made a reference to I think you said Resorts built  
24 576 units toward the housing obligation. Are you  
25 referring to units that are already on the urban

1                   Trump - By Commissioner Armstrong  
2 renewal tract site?

3                   A     I am referring -- I don't think Resorts  
4 built them.

5                   Q     I thought you used the word built?

6                   A     I might have used it. I am sorry. They are  
7 on the site like the right to life.

8                   Q     Best of Life?

9                   A     Best of Life. We all have a right to life.

10                  There are a couple of jobs, on the  
11 total 576 units and they were on the site, they were  
12 on the site.

13                  Q     Mr. Trump, are there any approvals,  
14 clarifications or settlement of issues in dispute or  
15 controversy which would require you, in your mind, as  
16 a condition to the merger being consummated to be  
17 obtained from the City of Atlantic City itself other  
18 than any Housing Authority obligations?

19                  A     I don't think so. I think the housing is  
20 the primary one. The housing and the CAFRA and the  
21 city is not too involved in the CAFRA, so those are  
22 the two conditions.

23                  Q     Mr. Trump, I wanted to ask you another  
24 question which relates somewhat to the CRDA which  
25 could conceivably relate to this question of your

1                   Trump - By Commissioner Armstrong  
2 financing and what you are able to do in terms of  
3 completing the Taj Mahal. This relates back to  
4 November of 1987, preliminary approval was given by  
5 the CRDA after presentation at a public meeting by Mr.  
6 Glideman regarding the 1200 units you wanted to build  
7 in the three high rises on the boardwalk on the urban  
8 renewal tract.

9                   As I recall, that meeting was attended  
10 by Mr. Glideman and I think Mr. Cooper was there, Ms.  
11 Hartkin, John Donnelly was there and George Miller  
12 from Mr. McGahn's law firm.

13                  Based on questions and discussions at  
14 the open public meeting portion of that meeting, I  
15 think there was the impression that may have been  
16 created, I don't know whether I have misunderstood  
17 this or what, but that if the CRDA credit was received  
18 for the three entities, Castle, Plaza and Trump, that  
19 there might be an infusion of around 20 or \$40 million  
20 into the Northeast Inlet Development, which is a  
21 priority development project in the inlet, and I think  
22 there might have been an impression created that that  
23 was tantamount really to a donation or a gift?

24                  I am asking because I wouldn't  
25 necessarily want that misimpression out there and if

1                   Trump - By Commissioner Armstrong  
2       it has any bearing on what you are able to do if I  
3       could get that clarified that that was an impression  
4       or misunderstanding.

5                   A     I didn't know of this at all. I mean it's  
6       possible that somebody that works for me made that  
7       statement, but, you know, this company has to finish  
8       one of the most expensive buildings if not the ever  
9       built, I don't know how somebody could have said we  
10      will make a contribution of \$40 million on top of  
11      everything else. The housing itself is a  
12      contribution. There is no money to be made from this  
13      housing, there is money to be lost from the housing.  
14      The housing itself is a contribution.

15                  I can't -- you know, it's a little  
16      interesting, the land that everybody talks about, the  
17      great deal that Resorts made with the city or the  
18      Housing Authority years ago, what kind of a great deal  
19      is that? They are building the Taj Mahal, they are  
20      saying here, you have a piece of land for very little  
21      money, but on that piece of land in order to take it,  
22      you have to build 1200 units of housing, you have to  
23      build a hotel, you have to build this and you have to  
24      build that, it was that piece of land that caused the  
25      Taj Mahal to be built.

1                   Trump - By Commissioner Armstrong

2                   It's fine to say you have a piece of  
3 land for \$5 million, it's another thing to say you  
4 have a piece of land for \$5 million but you have to  
5 build thousands of units of housing and hotel rooms  
6 and all of this stuff in order to get the deal that  
7 everybody used to say was a good deal which really  
8 wasn't such a good deal.

9                   The reason I guess the Taj Mahal was  
10 started in the first place was in order to save that  
11 land, when in actuality, they might have been better  
12 off doing something else.

13                  Q        Mr. Trump, when we were here during the  
14 proceedings in June and July concerning your purchase  
15 of the B shares and I think the question of economic  
16 concentration and some other issues were aired before  
17 this commission. There was some discussion on the  
18 record at that point in time concerning what the  
19 status would be if you acquired the B shares and what  
20 Resorts housing obligations are.

21                  Can you tell me at the conclusion of  
22 those hearings, what was your understanding as to what  
23 Resorts' specific obligations would be with regard to  
24 the Housing Authority in the urban renewal tract?

25                  A       I am not sure that I knew. I am really not

1                   Trump - By Commissioner Armstrong  
2   sure that I knew. I am not sure that anybody in  
3   Resorts knew and they have been working with this  
4   thing for years. I am not sure anybody in Resorts  
5   knows now.

6                   Q   That was going to be my next question. Can  
7   you tell me right now in this state what Resorts'  
8   obligations are in that regard?

9                   A   Well, it's very difficult, it's very  
10   confused. I mean you are talking about the subsidy,  
11   do we get the subsidy, do we not get the subsidy. If  
12   we don't get the subsidy, then it's a lot easier  
13   because you have to just drop the land, you have to  
14   drop the land. You don't take it down and, therefore,  
15   you don't have an obligation to build the housing, you  
16   don't have the land but the housing is going to go on  
17   the land. If you are going to lose the money with the  
18   housing, what good is the land?

19                  With the subsidy, there is no money in  
20   building with the subsidy, I mean essentially there is  
21   no money. I don't see any money especially with the  
22   new tax laws, with the depreciation being cut down to  
23   nothing. There is no real money in building the units  
24   from that standpoint.

25                  My basic attitude has always been that

1                   Trump - By Commissioner Armstrong

2   I want to do what is good for Atlantic City. The fact  
3   is though that if Atlantic City doesn't need the  
4   housing, maybe that whole situation should be  
5   reexamined. I mean maybe something else, if you have  
6   other jobs that are sitting there vacant and yet, you  
7   know, we are going in order to do what some people  
8   would like is build some housing, so what are you  
9   going to do, you are going to have more housing.

10                  I think that's what the Housing  
11   Authority wants to look at, I think they want to study  
12   the whole picture. I really believe they want to  
13   study the whole picture, to find out is it housing  
14   that should be built there, should the housing be  
15   built somewhere, should it be an amusement park,  
16   should a Disney Land be built there. They are going  
17   to study the whole picture and it makes sense to study  
18   it.

19                  This was set up years ago, many years  
20   ago, the Housing Authority and this whole concept of  
21   what was done, but in life there has to be flexibility  
22   and if the times change and if that's not needed but  
23   something else is needed, maybe there should be  
24   flexibility and maybe there should be a change.

25                  Q     In light of all of this confusion and

1                   Trump - By Commissioner Armstrong  
2 questions up in the air as to what these obligations  
3 are, how do you anticipate that within the 75-day  
4 period the merger -- that you will be able to get the  
5 approvals that you have think you need from the  
6 Housing Authority or maybe I don't really understand  
7 specifically what it is that you feel you have to  
8 have?

9                   A     It's okay. It's a good question.

10                  All we are asking for is the agreement  
11 we already signed, and agreement to which I told you  
12 before I don't think is a particularly great agreement  
13 from our standpoint, that the agreement we already  
14 signed which is a definitive agreement, be ratified  
15 and approved so that at least we know where we stand.  
16 If the city and the Housing Authority and the  
17 commission or anybody wants to negotiate that  
18 agreement differently so that they don't want these  
19 units built or whatever it is, they want something  
20 else instead or want the units in a different location  
21 or they don't need as many units because of the market  
22 conditions or whatever, if that be the case, then we  
23 are very open and, in fact, encourage that dialogue  
24 because, you know, the agreement we have right now,  
25 while it allows me to do what I have to do which is

1                   Trump - By Commissioner Armstrong

2 basically finance the Taj Mahal and get it going, I  
3 don't think it makes sense to do it.

4                   Q     Which agreement are you referring to when  
5 you say the agreement we already have sign?

6                   A     The one signed with the Housing Authority or  
7 agreed to with the Housing Authority.

8                   Q     Is that the one that resulted in a  
9 resolution passed in November which is the potential  
10 subject of rescission?

11                  A     I think that's correct.

12                  Q     Is that the agreement?

13                  A     I think that's correct.

14                  Q     Can you tell me what your understanding is  
15 as to what that agreement means?

16                  A     Sure.

17                                 Number one, it means that the  
18 rescission right gets moved up a year and a half or so  
19 to August of '89. Number two, it means that if we  
20 decide not to go with the housing which I hope is  
21 clear anyway, if we decide not to go with the housing,  
22 we give back the land. Number three, it means that we  
23 may, if we don't give back the land, build 1200 units  
24 of housing. Those are the three basic points. I  
25 don't know of anything else.

1                   Trump - By Commissioner Armstrong

2                   Essentially, the housing was going to  
3                   be built along the boardwalk. Along the boardwalk I  
4                   think it would be successful. I am not sure it would  
5                   be good for the inlet area. I am saying that, and  
6                   people don't necessarily agree with me, but I think it  
7                   would be successful. The reason it would be  
8                   successful is because of its location, it's a great  
9                   location.

10                  Q       Now, the question I have about that  
11                  resolution, what you have referred to as agreement is  
12                  this, with regard to whether or not you take down the  
13                  remaining parcels in your housing obligation, do you  
14                  understand that agreement which resulted in the  
15                  resolution to mean that you could take down  
16                  substantially all of the land say with the exception  
17                  of the last parcel and have no housing obligation at  
18                  all or is the housing obligation accruing at X number  
19                  of units per parcel?

20                  A       The land that has already taken down has  
21                  been taken down. The land under the Taj, the Showboat  
22                  land, the land that has already been taken down. This  
23                  pertains to the remaining portion of the land.

24                  Q       That 33 acres?

25                  A       I don't know. I think it's 33 acres, 30

1                   Trump - By Commissioner Armstrong  
2       acres or something. It pertains to that remaining  
3       portion of the land. If we build the units we can  
4       have the land. If we don't build the units, we can't  
5       have the land. The obligation runs with the land. If  
6       we took down the land -- I agree that if we took down  
7       the land, we would have to build the units.

8                   Q      I am going to make sure we are exactly on  
9       the same wavelength here.

10                  Of the 33 acres remaining, if you took  
11       down a 10 acre parcel, are you saying that there is a  
12       housing obligation that runs with that parcel even if  
13       you don't put them on that parcel?

14                  A      Okay. I wasn't at that meeting but my  
15       impression of the agreement is that that wasn't  
16       discussed.

17                  Q      That was not discussed?

18                  A      That that wasn't covered. That essentially  
19       you either take all of the land with the number of  
20       units or you don't take any of the land. And that  
21       that wasn't discussed. In other words, I might be  
22       wrong, I really wish you could ask somebody that was  
23       there and made the agreement. I didn't really make  
24       the agreement, I knew the concept of the agreement and  
25       I approved the concept. I don't think that was

1                   Trump - By Commissioner Armstrong  
2 discussed.

3                   I think it's all or nothing essentially  
4 and it's something that is worthy of discussion.

5                   As an example supposing you don't need  
6 1200 units, you don't need 600 units, you want to have  
7 300 units or something else, you know it could be  
8 discussed and it should be discussed, but I don't  
9 believe that pertained to this. This is 1200 units  
10 and the 33 acres or 30 acres or whatever it was.

11                  COMMISSIONER ARMSTRONG: Mr. Chairman,  
12 I just want to say, I would like to know before this  
13 proceeding is over, if that issue was discussed and  
14 what the understanding is. My concern being could  
15 Resorts take down 23 of the 33 acres, have the  
16 remaining 10 acres remaining, decide not to take that  
17 down and not have any housing obligation? I would  
18 like to know at some point, not right now, but what  
19 the understanding is with regard to that.

20                  A     And I just don't know the answer to that.

21                  Q     I appreciate that. I am sure somebody can  
22 probably enlighten me on that.

23                  Mr. Trump, if I understand you  
24 correctly that the only approvals from the Housing  
25 Authority necessary to meet the condition in Annex I

1                   Trump - By Commissioner Armstrong  
2 to the merger agreement is ratification of the  
3 resolution which was passed in November which you say  
4 is the subject of agreement which is still apparently  
5 up in the air and going to be addressed on February  
6 11?

7           A     I think essentially that's right because  
8     that covers the other points we discussed with the  
9     understanding we are willing to renegotiate that if  
10    they want to come up with a new plan or a different  
11    plan or something and we are willing to negotiate it.  
12    But at least that gets us through the Taj Mahal  
13    uncertainty in terms of the land.

14 Q Mr. Trump, other than the CAFRA approvals,  
15 approvals from the commission, and approvals from the  
16 Housing Authority, are there any other regulatory or  
17 governmental approvals that you contemplate are  
18 necessary in order to meet the conditions set forth in  
19 Annex I to the merger agreement?

20 A I don't believe so.

21                           COMMISSIONER ARMSTRONG: I have no  
22 further questions at this moment, Mr. Chairman.

23 THE WITNESS: Thank you.

24 CHAIRMAN READ: Mr. Waters.

25 EXAMINATION BY VICE-CHAIRMAN WATERS:

1                   Trump - By Vice-Chairman Waters

2                   Q       Mr. Trump, I would like to go back to March  
3 of '87, which I understand is the period of time in  
4 which you purchased the stock that Resorts had from  
5 the Crosby family, I think you referred to that  
6 earlier in response to a question by Mr. Vukcevich  
7 that you didn't know whether it was an obligation to  
8 secure financing for the Taj built into that  
9 agreement?

10                  A       An obligation?

11                  Q       Yes.

12                  A       I don't think I had an obligation,  
13 certainly. I will, as I have, you know, we will try,  
14 but I don't even know if that was mentioned. That  
15 might have been mentioned but certainly I had no  
16 obligation.

17                  Q       Let's put it another way, there was an  
18 understanding at least between yourself and the  
19 Crosbys that you would do everything possible to  
20 assist in obtaining financing?

21                  A       Well, that's an obligation that I have to  
22 myself.

23                  Q       No. I think you have two parties here, you  
24 had an obligation or at least an understanding if  
25 that's a better term with the family that as a part of

1                   Trump - By Vice-Chairman Waters

2     this package of buying Class B stock you would attempt  
3     to obtain financing --

4       A     I would attempt --

5       Q     -- which is the same thing you are doing  
6     on --

7       A     I would attempt to obtain financing, that's  
8     correct. I think they looked at me as being the most  
9     likely person able to complete the Taj Mahal. I  
10   believe that.

11      Q     Let me see if I could find what I want to  
12   get to.

13      A     Sure.

14      Q     I guess Section 8 of that letter agreement,  
15   In consideration of purchaser's efforts to assist,  
16   consult in seeking to obtain financing for the company  
17   in connection with the project in Atlantic City, New  
18   Jersey known as the Taj Mahal and in advising the  
19   company in connection with construction costs of the  
20   project and various other considerations, the company  
21   is bound by 3.0, 4.2 and 4.7, which really tells that  
22   they are not going to do anything to encumber the  
23   property and things of that sort?

24      A     Sure.

25      Q     You don't consider that to be an

1                   Trump - By Vice-Chairman Waters  
2 understanding between you and them as to what you are  
3 going to do?

4                   A     Well, it says assist. Of course, I am going  
5 to assist and I am going to try to do it, I have been  
6 assisting in trying to do it. When that was signed  
7 also, you didn't have October 19 and you didn't have  
8 the problems of the world really falling on this  
9 company and a lot of other companies over the course  
10 of, you know, one day. That was signed before. In  
11 fact, I will tell you as I told you before, we had an  
12 eight percent bond issue put in there, convertible  
13 bond issue and that was going along swimmingly. We  
14 were practically done with the paperwork and as I  
15 remember it, it was in there and then all of a sudden  
16 we got hit with this October disaster and all bond  
17 issues were off and so there were a lot of  
18 differences, a lot of changes took place after October  
19 19, sir.

20                  Q     Leading up to October 19 and leading up to  
21 the November/December hearings that we had, had you  
22 been successful in any way of lining up financing?

23                  A     Oh, I think so, we were. Prior to October  
24 19?

25                  Q     No. Prior to the day you came into the

1                   Trump - By Vice-Chairman Waters  
2 hearings, which would have been November the 30, 29,  
3 something of that sort. Let me put it another way.

4                   What I am trying to get to, with this  
5 understanding in March, what had you done between that  
6 time and the time you came with the Management  
7 Agreement?

8                   A     Yes, sir, I understand. The primary thing  
9 is that I was with Bear Stearns and was very confident  
10 at that point that financing would be no problem  
11 because the so-called junk bond financing was very  
12 prevalent and was being used all over, everybody was  
13 doing it and there was no problem. In fact, financing  
14 wasn't even a big issue at that time because again  
15 this was before October 19. Everybody was getting  
16 financing and they were getting it at reasonably  
17 decent rates. We were going to do a rate of eight  
18 percent with a purchase of stock, with an option to  
19 purchase stock in the company, so in the true sense,  
20 there wasn't much to be done because it wasn't very  
21 hard.

22                   What happened, though, is that we had  
23 to wait for the commission to approve the deal, we had  
24 to wait for, I guess, a couple of other things. What  
25 happened ultimately -- we were doing our papers and

1                   Trump - By Vice-Chairman Waters  
2       then what happened ultimately anyway is October 19  
3       came and it happened to a lot of companies not just  
4       us, you register with the SEC and what happened  
5       ultimately is that October 19 came and all bets were  
6       off with this, but we were very sure of financing  
7       before October 19, and then after October 19 it was a  
8       whole new ballgame.

9                   Q     So in other words, when you and Mr.  
10      Greenberg came into the hearing which was at the end  
11      of November, started at the end of November?

12     A     Yes.

13     Q     You were no longer certain of financing?

14     A     I felt unhappy about financing because of  
15      the kind of rates that would have had to be paid, but  
16      I felt that perhaps it could have been gotten but it  
17      would have been very onerous financing. Again, it's  
18      not a Resorts issue, all I have to do is look at the  
19      deals being made, there were very few of them, but  
20      looking at the deals that were made, I think it was  
21      Southmark, but it was the first one after October 19  
22      that cracked and again this was a 19 percent rate of  
23      interest and it was a piece of the company, I mean  
24      there were so many other different kickers that I had  
25      never seen anything like that. So it was just a very

1                   Trump - By Vice-Chairman Waters

2 onerous situation.

3                 Q     Let me tell you what has me stunned. I  
4 understand on October 19 what happened when you folks  
5 came in before for the approval of the Management  
6 Agreement, October 9 had long passed and if I remember  
7 Mr. Greenberg's testimony, it wasn't yourself, he was  
8 very optimistic?

9                 A     That's right.

10                Q     The only requirement he had was that we  
11 approve this Management Agreement because everybody  
12 wanted Trump to be involved and that type of  
13 involvement would have satisfied apparently the people  
14 with whom he was dealing. At least he left me with  
15 the impression, maybe he didn't intend to but he left  
16 me with the impression if we didn't approve the  
17 agreement there was no way on earth he could arrange  
18 the financing; if we did approve the agreement, he  
19 thought he could.

20               And somewhere in the testimony I am  
21 sure he made mention of a rate of 14 percent as a  
22 possibility. But again, Mr. Trump, when the hearings  
23 started, you had no tentative understanding from  
24 Greenberg as to what the terms were going to be?

25               A     He wouldn't be able to tell me, sir. I mean

1                   Trump - By Vice-Chairman Waters

2     14 percent, you look at prime companies that are  
3     financing bonds today, there is no such thing as 14  
4     percent for these bonds, that I know of.

5       Q     Of course I am not the expert.

6       A     Yes.

7       Q     I assume he wasn't the expert in financing  
8     and he threw the 14 percent figure around but the  
9     percentage is not the important thing here. I am  
10    trying to get at what understanding you had as to what  
11    he was going to do, assuming we approved the  
12    agreement?

13      A     He thought if I didn't get the agreement, I  
14    wouldn't be in the company, that's number one. It's  
15    not a question of not having the agreement and staying  
16    in the company. He thought if I didn't have the  
17    agreement, I wouldn't be in the company, that's what  
18    he was essentially referring to, I believe.

19                  As far as having the agreement, the  
20    thing that came up was that the agreement in one  
21    sense, while necessary from a management standpoint,  
22    was getting very complicated in terms of financing  
23    because all of the bond holders were saying, Well,  
24    will this come before, Will it come after, will it  
25    subordinate it, will you do this and do that, what is

1                   Trump - By Vice-Chairman Waters

2 going to happen.

3                   The other thing I can tell you is that,  
4 you know, if you go to any of the firms on Wall  
5 Street, they would always be optimistic. The fact is  
6 I also understand optimism when a prime company is  
7 borrowing at a certain rate of interest, we are going  
8 to be paying the same rate of interest. Whether Mr.  
9 Greenberg says that or not is irrelevant.

10                  The times haven't changed very much.  
11 They might be a slight bit better now than they were  
12 then. They could be -- tomorrow we could wake up and  
13 the market could drop another 500 points and we are  
14 going to be in a lot worse shape.

15                  So, you know, it's not that relevant  
16 because the time that you get your financing is the  
17 day you are approved by the SEC and you go out to  
18 market and make your deals with the people buying all  
19 of these bonds. I don't know if he said 14 percent, I  
20 would find it -- he might have, I would find it hard  
21 to believe because the rates are much, much higher  
22 than that. The rates are not 14 percent, the rates  
23 are much higher than that.

24                  Another thing that happened is during  
25 the hearings the equity of the company went down

1                   Trump - By Vice-Chairman Waters  
2 precipitously. You had an equity value of this  
3 company of hundreds of millions of dollars more prior  
4 to the start of these hearings than you did after the  
5 hearings, so you know, you didn't have -- a lot of  
6 things happened during the course of this period of  
7 time, a lot of things happened.

8                   Q     I can understand that, Mr. Trump. I guess  
9 the thing I am getting at, Mr. Greenberg was  
10 represented at least as being an expert in the art of  
11 financing and maybe he did not leave the other  
12 commissioners with the impression that everything was  
13 going to go smoothly, he left me with that impression  
14 and then to find within 9, 10 days after the  
15 completion of the hearing that that would have been  
16 held out as a possibility if no longer a probability  
17 was a shocker.

18                  A     As I mentioned before, sir, the fact is we  
19 were sued by a lot of people on the Management  
20 Agreement and the Management Agreement could have well  
21 been terminated after all of this was done and I don't  
22 think that the financing -- and I think Mr. Greenberg  
23 was optimistic, but I don't think he was optimistic to  
24 anyone saying we were going to get the financing.  
25 Also what is the difference if you get financing at 18

1                   Trump - By Vice-Chairman Waters

2       or 19 percent, if you can get it at that, I am not  
3       even sure if you could have gotten it at that.

4       Q      I don't know what rate he was dealing with.  
5       He said 14 percent, he mentioned in passing that was  
6       not a commitment. I did think he had an understanding  
7       with you as to what arrangement he could possibly work  
8       out?

9       A      I will tell you that from my prospective, I  
10      like the Management Agreement with financing, just as  
11      much or more than the deal I am currently making to  
12      buy the company.

13      Q      Let me see if we could get at it this way --

14      A      I would rather have gotten financing than  
15      the Management Agreement, than the deal I am making  
16      now. Everybody thinks I am making such a good deal.

17      Q      The thing that caused you to abandon a prior  
18      effort and go with a tender and a merger is that  
19      because he could not arrange the financing or because  
20      you couldn't accept whatever terms he could come up?

21      A      I would say it's a combination of both.

22      Q      Also you were disenchanted?

23      A      Well, there are a lot of problems. I don't  
24      think you know you are going to get financing until  
25      the last day anyway. Because a lot of people -- there

1                   Trump - By Vice-Chairman Waters

2       is no way to tell if you are going to get financing.

3                   I spoke to I think it was Dan Lee  
4       (phonetic) or somebody once and he said he thinks he  
5       can get the financing, and then I read an article in  
6       the newspaper a day later that said very specifically  
7       financing for such a job would be impossible at this  
8       point in time by Dan Lee. They are brokers and they  
9       are optimistic and good people, but to be perfectly  
10      honest, whether you have to get the financing or get  
11      the financing at 19 percent or whatever or whether you  
12      don't get the financing, I am not sure it matters if  
13      you have to pay that kind of an interest, that's what  
14      the market is.

15                  Q     I am only going back to the statement that  
16       you made apparently in your releases that you could  
17       not get the financing. Of course, you are not going  
18       to use your money unless you owned the business?

19                  A     That's right. I think I said that on an  
20       economically viable basis.

21                  Q     It wouldn't make sense to do it?

22                  A     Yes.

23                  Q     I have no problem with that. It's your  
24       choice, it's your money.

25                  A     I understand.

1                   Trump - By Vice-Chairman Waters

2                   Q     What I am trying to get at is what really  
3     caused that to come about that you could not get the  
4     financing, was it the fact that you couldn't get the  
5     financing or the fact that you didn't want to pay the  
6     price?

7                   A     I think it was both. I think that I am not  
8     sure that I could have gotten the financing. I don't  
9     think I could have gotten the financing. I don't  
10    think it could have been gotten. I know it could not  
11    have been gotten on a viable basis because you would  
12    have been paying so much interest but you wouldn't  
13    have known unless you did a tremendous amount more of  
14    legal work, registered your papers, filed your papers,  
15    went to market and that's when the financing rate is  
16    determined, the day you go to market is really the day  
17    not three months or six months or four months before.

18                   I was faced with great uncertainty, I  
19    was faced with the uncertainty of filing these papers,  
20    it would have taken 60 days, 30 days, 90 days or  
21    whatever it is to get the papers out, while I was  
22    sitting back waiting, doing nothing, hoping that by  
23    the time you get cleared by the SEC, the papers come  
24    out and then the world opens up and the financing is  
25    available.

1                   Trump - By Vice-Chairman Waters

2                   Now, the problem is if it wasn't  
3 available, which I don't think it would have been and  
4 I think in retrospect, it was a good decision because  
5 that financing isn't available today and right now I  
6 would be sort of coming out or maybe a little bit  
7 before now but I would be coming out. Then what  
8 happens you put all of your eggs in this basket and  
9 you are stuck with it.

10                  In addition to which, the Management  
11 Contract, as I said before was both a positive and a  
12 negative, it was a postive in the sense they wanted  
13 Trump; negative in the sense where does this money  
14 come from to pay Trump.

15                  The third element was that I didn't  
16 know after doing all of this work whether or not I  
17 would have been compensated at all in two years or  
18 three years in a Delaware court. It could have been  
19 that my contract would have been voided and rather  
20 than going through all of the uncertainty and rather  
21 than going through all of the problems and all of the  
22 difficulties, I decided just to take -- to make an  
23 offer for the company and buy the company and finance  
24 the company.

25                  Q     I don't want you to misunderstand where I am

1                   Trump - By Vice-Chairman Waters  
2 coming from and I don't mean to indicate that you  
3 shouldn't have a right to do those things that make  
4 sense to you. It's unfortunate Mr. Greenberg isn't  
5 here today, because maybe I am alone on this  
6 commission, but it was pretty evident to me from the  
7 position he was taking that he was in support of your  
8 effort to get a management agreement and with that he  
9 thought he could arrange the financial.

10                  Now, what arrangements the two of you  
11 had that we didn't know about really doesn't matter.  
12 All I can go on is what he represented here and it's  
13 pretty clear to me that one of two things happened  
14 either I misunderstood or he misrepresented what he  
15 thought he could do.

16                  Of course, I realize what you think you  
17 can do and what you finally do are sometimes two  
18 different things, but quite frankly, I feel I have  
19 been used at least by the testimony Mr. Greenberg came  
20 in with, what he was holding out was that he had to  
21 have you and your involvement in this whole package in  
22 order to go forward.

23                  I think at least I took him at his  
24 word. While I didn't vote for the Management  
25 Agreement, others did. I assumed he would follow

1                   Trump - By Vice-Chairman Waters  
2 through with this. This was a surprise to find out  
3 nine days later that that is no longer possible.

4                   October 19 had come and gone, as I said  
5 before here, and it's being raised again as a critical  
6 factor in not getting the financing. So it does leave  
7 some question as to how much faith of dependence we  
8 can put on what is said here.

9                   In that regard, let me go onto the  
10 question that Commissioner Armstrong raised that I  
11 guess I don't have a clear understanding of and maybe  
12 you can help me with it.

13                  The other day when a stipulation was  
14 presented, I raised a question I guess with Mr.  
15 Schulte as to what the understanding was on the part  
16 of the independent board of directors if the merger  
17 was not completed in 75 days or maybe it's 90 days  
18 because I understand they have a right to extend it  
19 another 15 days. I was left with the impression again  
20 that if the merger did not go through, the Management  
21 Agreement would then kick in as revised to delete any  
22 reference to earning the management fee until the Taj  
23 was completed.

24                  If I understood your response to  
25 Commissioner Armstrong, it seemed to come out that you

1                   Trump - By Vice-Chairman Waters  
2 really didn't know where you would be if a merger  
3 didn't go through, which leads me to feel that with  
4 the Management Agreement, then you might kick that  
5 aside or would you proceed under that Management  
6 Agreement and do the things that you are committed to  
7 do?

8                   A     It's something that I haven't been focusing  
9 on, Commissioner, for the last little while. I don't  
10 know what would happen if this deal didn't go through  
11 with respect to the company, I just don't know. I  
12 just don't know, with regard to the company or the  
13 Management Agreement per se.

14                  Q     Don't you consider the Management Agreement  
15 to be a binding --

16                  A     Absolutely. I would work under the  
17 Management Agreement.

18                  Q     Pardon me?

19                  A     I would work under the Management Agreement  
20 and I would do whatever I am supposed to do under the  
21 Management Agreement, including trying to get  
22 financing for Resorts, absolutely. I just don't know  
23 if you can do it. That's all. I don't know if it can  
24 be done.

25                  Q     That's somewhat different. I guess that is

1                   Trump - By Vice-Chairman Waters  
2 somewhat different to the answer you gave Commissioner  
3 Armstrong, it isn't that you don't know what you would  
4 do, you would continue to live up to the Management  
5 Agreement?

6                   A     Oh yes, sir.  Absolutely.

7                   Q     You don't know how successful you would be?

8                   A     Yes, sir.

9                   Q     I can see that as a reasonable approach.

10                  If that's the case and heaven forbid,  
11 and the merger doesn't go through and we now have a  
12 Management Contract, do you feel that the terms of  
13 that contract will stand in the way of getting  
14 financing as it apparently did before?

15                  A     As I told you before, it was the positive  
16 and the negative.  The negative aspects were negative  
17 and the positive aspects were the positive.

18                  It's very possible that if the merger  
19 didn't go through, I would just get out of Resorts.

20                  Q     Now you are flipping again.

21                  If the merger didn't go through, you  
22 might get out of Resorts, what happens to the  
23 Management Agreement?

24                  A     If I felt that I couldn't -- that it wasn't  
25 appropriate or that I couldn't do the job with regard

1                   Trump - By Vice-Chairman Waters  
2 to Resorts, if I felt that financing was unavailable,  
3 unavailable with regard to Resorts or from a practical  
4 standpoint unavailable in any event with regard to  
5 Resorts and that the Taj Mahal would get built, I may  
6 very -- I am not saying I would do it because I  
7 haven't considered it because I think this whole -- I  
8 think this deal will go through. If it doesn't go  
9 through, then it doesn't go through, I will have to  
10 reconsider what I would do. I may very well get out  
11 of Resorts.

12                 Q     So you wouldn't live up to the Management  
13 Agreement?

14                 A     No. I may terminate the Management  
15 Agreement or give them the option to terminate. Now,  
16 if they want me to stay in, I may stay in. If they  
17 wanted me to terminate, I may terminate. I think I  
18 would give them that right, I believe, if I couldn't  
19 live up to the Management Agreement from the  
20 standpoint of getting done what I would like to see  
21 done for this company and what I think has to be done  
22 for this company for the company itself to survive.

23                 Q     So there are still a lot of questions?

24                 A     Commissioner, the Management Agreement is  
25 only going to be viable or good if the company makes

1                   Trump - By Vice-Chairman Waters

2 money.

3                 Q I grant you that.

4                 A I don't get any money from this Management  
5 Agreement, I don't get any management fees if the  
6 company is not making money. I only get the money  
7 from the Management Contract if the company is a  
8 viable company making money. So from that standpoint,  
9 you know, there is much talk about the Management  
10 Agreement doesn't mean anything unless the company  
11 becomes successful.

12                Q But you would still -- assuming the Taj  
13 Mahal you would still be deferring fees, would you  
14 not, under the contract?

15                A Yes, I would be, yes, sir.

16                Q So the money might be there, not as of a  
17 particular day, but down the road?

18                A Down the road maybe, if the company is  
19 viable, the answer would hopefully be, yes.

20                Q Or if it were ever sold?

21                A If it were ever sold.

22                Q Your obligation would come out of that?

23                A Perhaps, I mean perhaps if it were sold for  
24 enough money after all of the obligations that it has  
25 previous to mine such as the cost of building the

1                   Trump - By Vice-Chairman Waters

2 building and other things.

3                   VICE-CHAIRMAN WATERS: Just one  
4 question, Mr. Sterns, during Commissioner Armstrong's  
5 questioning, you had a lot of discussion back and  
6 forth as to whether there was an obligation to  
7 construct housing. And I remember we were getting --  
8 last summer at least I was left the impression,  
9 whether it's true or not, that there was an obligation  
10 to construct something like 1200, 500, 700, I don't  
11 know what.

12                  Is there someone available who can give  
13 us the definitive answer as to whether there is or is  
14 not an obligation and what that might be without  
15 regard to the city housing authority, I don't know  
16 what is going on there and I don't really care, I  
17 would like to get back to what the original obligation  
18 was, if there was one.

19                  MR. STERNS: Sir, I will answer in two  
20 ways. First of all, we will respond to Commissioner  
21 Armstrong's question as requested with regard to the  
22 issue. With regard to the issue you raised, I will  
23 gladly put testimony on.

24                  All along the position Mr. Trump stated  
25 is the position that the company had prior to Mr.

1                   Trump - By Vice-Chairman Waters

2        Trump's purchase of controlling stock in the company,  
3        that was that. If all of the land were taken --

4                   VICE-CHAIRMAN WATERS: You are going to  
5        put someone on to testify to that?

6                   MR. STERNS: Yes.

7                   VICE-CHAIRMAN WATERS: There is no need  
8        for me to deal with Mr. Trump on that.

9                   MR. STERNS: I want to say, I don't  
10       think the view of the company has changed with regard  
11       to the obligation. It was the same view there prior  
12       to the purchase.

13                  VICE-CHAIRMAN WATERS: That's what I  
14       would like to get from the witness.

15                  (Recess.)

16       EXAMINATION BY CHAIRMAN READ:

17       Q       Mr. Trump, you've described in considerable  
18       detail the problems that Southmark had in attaining  
19       its financing and that those rates would be  
20       unacceptable to you. But then you also said I think  
21       that actually the market has eased since the Southmark  
22       transaction went through, so that it ought to be a  
23       little better on that basis, and I guess I got a  
24       question beyond that because if you're saying that  
25       your rates would be somewhere in that bracket, are you

1                   Trump - By Chairman Read

2 equating Southmark or are you -- I should say are you  
3 equating Resorts under Trump leadership with  
4 Southmark, or are you not selling Donald Trump too  
5 cheap?

6                   A     That's interesting. I think I'm really  
7 equating Resorts to a lot of companies that have been  
8 unable to get financing or have been paying very high  
9 rates of interest. It's the type of financing that  
10 we're talking about which is secured by the assets of  
11 a company more so than the -- almost more so in a  
12 sense than the individual behind the company. Now, if  
13 I have it private it becomes a different kind of  
14 financing. It may some day be worth something.

15                  Q     We're not dealing with the question of  
16 private, I'm going to the question of Resorts under  
17 Trump leadership.

18                  A     Well, I think it's a similar thing to  
19 Southmark because it really is the kind of financing  
20 that's available regardless of the leadership per se.

21                  Q     That's not what Mr. Greenberg said.

22                  A     Well, I know what Mr. Greenberg said, I  
23 heard what Mr. Greenberg said and I was just asking  
24 somebody to look because he said that I think we'd  
25 have a very good chance, as I remember it, we'd have a

Trump - By Chairman Read

2 very good chance of getting it, and with also  
3 tremendous caution. I believe that with me they'd get  
4 the financing maybe relatively better today because  
5 it's a little bit better over the last week or so, but  
6 with me they'd get the financing similar to  
7 Southmark. Without me, I don't think -- I really don't  
8 think they'd get the financing at all.

9 Q You indicated that the equity of the company  
10 went down pretty precipitously in the course earlier  
11 here. To what do you attribute that?

12           A     Well, I really attribute it to a large  
13 extent to -- it had two drops. It had the October  
14 19th drop, so we know where that went, and then after  
15 the hearings, during the hearings it went down and I  
16 had attributed it to a lot of the news that was coming  
17 out of the hearings, the negative statements that were  
18 being made about the company.

19 O But who made those statements?

20           A     Well, the questions were asked and we have  
21        to tell the truth as to, you know, what was happening  
22        in terms of cost, in terms of the company. You know,  
23        it's not something we particularly wanted to do, I  
24        don't believe

Q It's your choice of words that did it.

1                   Trump - By Chairman Read

2       A    I mean, when you ask a question as to what  
3   do you think of this or what about the costs or what  
4   about the Taj Mahal or what about the financing, you  
5   know, and day after day the newpapers are reporting  
6   what's stated, whether it be through us or through a  
7   consultant or through anybody else, it's not a  
8   positive factor for the company.

9       Q    But I think the consultant indicated that it  
10   could fly with this agreement and probably the  
11   agreement made it possible to fly.

12      A    Well, I think they indicated that without  
13   tremendous surety, and they did indicate that. The  
14   equity value of the company went down during the  
15   hearings again, which is, you know, a bank looks at  
16   the equity value of a company. You're putting up your  
17   assets against a bank loan or, you know, an issue, a  
18   bond issue in this case, and the equity value of the  
19   company drops so much during this period of time that  
20   all of a sudden banks that had a company that was  
21   worth X dollars, now it's worth X minus hundreds of  
22   millions. It's a very big difference in terms of the  
23   attitude of the institutions and the attitude of bond  
24   buyers.

25      Q    In the course of your testimony today I

1                   Trump - By Chairman Read

2   think you indicated that if you'd only waited a few  
3   weeks the price might have gone down to five, and yet  
4   you indicated that that might make it much more  
5   difficult to do. Could you explain that?

6                   A   Well, I meant by the fact that if I waited  
7   it very well might. I don't know for certain that it  
8   would have gone down, but I indicated that it might  
9   have gone down to five, but that at the same time  
10   somebody has to get ahold of this company, get the  
11   construction built, get the financing done.

12                  The additional number of points that  
13   you would have saved in terms of the equity you might  
14   have ended up paying in terms of the construction  
15   costs substantially more by waiting. This was not a  
16   company that had the luxury of waiting, and that's why  
17   I did this.

18                  Q   What's the greatest cause of the increase in  
19   the construction costs by the wait?

20                  A   Well, you have your real estate taxes, you  
21   have -- I'll tell you the biggest cost is probably the  
22   stopping of a building, which we haven't, but we  
23   slowed it down.

24                  The stopping of a building and  
25   restarting of a building is a huge cost because the

1                   Trump - By Chairman Read

2 contractors come in, they take their cranes off the  
3 site, they take all their equipment off the site, they  
4 take their men off the site, they put their foremen  
5 and all of the people that know the building so well  
6 onto other jobs, and they start to do jobs, and then  
7 you get them back, and it's not easily definable, sir,  
8 what that is in terms of dollars, but it's a huge  
9 amount of money. That's probably the biggest. The  
10 biggest cost is stopping the job and restarting it  
11 again at a later date. It's a huge number.

12                 Q     Short of stopping it, I think if you're  
13 familiar with Mr. Schulte's testimony here the other  
14 day, he indicated that one of the major problems, of  
15 course, was the running interest that goes with the  
16 obligation currently outstanding and continuing to  
17 grow.

18                 A     Yes, sir.

19                 Q     Is that a substantial factor, that plus  
20 taxes, plus insurance charges, and inspections?

21                 A     Yes, sir.

22                 Q     Do you have any sort of handle on what that  
23 runs a month?

24                 A     Well, it's always changing because as we get  
25 more money to build the building it changes pretty

1                   Trump - By Chairman Read

2 rapidly, but I think it's \$78,000,000 a year just  
3 about at this moment, and that will be increasing with  
4 the cost of the Taj Mahal.

5                 Q     You indicated I think in explaining the  
6 situation to Mr. Waters that compared the financing  
7 with the Management Agreement with the present plans  
8 it was your idea that if you had your brother's  
9 probably financing the Management Agreement was better  
10 from your point of view than the present deal. Could  
11 you compare and explain why one is better than the  
12 other?

13               A     Well, if I were -- if there was no such  
14 thing as trouble with financing companies with junk  
15 bonds and I was able to get an appropriate rate of  
16 interest, a reasonable rate, even a high rate, but an  
17 appropriate rate of interest, and not have any of the  
18 risks of buying the company and the risks inherent to  
19 ownership, I would -- I mean, again, I can't tell you  
20 -- in five years I'll be able to tell you this much  
21 better than I can now, but I would be very much -- I  
22 would be equally as happy and maybe more happy with a  
23 Management Agreement.

24                 It's like a lot of hotel changes. They  
25 go and take a management contract to run a hotel

1                   Trump - By Chairman Read

2 someplace and they don't own any of the hotel and they  
3 get their four percent or whatever it might be in  
4 terms of the revenues and they get it year after year  
5 after year without having no investment.

6                   What I'm doing, it may be better if  
7 things work out the way I hope they're going to work  
8 out, but it could also be worse because I'm buying the  
9 company and when you buy something there are risks  
10 involved.

11                  Q     As the indication was, of course, in another  
12 hearing, when you've got the equity you've got an  
13 unlimited upside opportunity virtually, however, for  
14 improving your position.

15                  A     And a downside effort, too. That's the only  
16 problem.

17                  Q     But limited by what you've got there. At  
18 the hearing on the Management Agreement we heard a  
19 great deal about the positive effects, not only about  
20 the positive effects but the absolute necessity of  
21 obtaining that agreement. Today you spoke in greater  
22 length about the negative effects of that agreement  
23 and I don't remember hearing anything about the  
24 negative effects at the time of the earlier hearing.

25                   When did you first become aware of

1                   Trump - By Chairman Read

2 those negative influences?

3                 A Well, I started seeing it with regard to the  
4 financing. Was I going to, in terms of the  
5 bondholders, and even Bear, Stearns as they're  
6 starting to get more involved, was I going to  
7 subordinate my fee. And, in fact, some people even  
8 said we don't want the Management Agreement to kick in  
9 and, you know, I'm saying to myself I'm running the  
10 company, they're putting up the money because I'm in  
11 the company. They wouldn't have put up the money if I  
12 wasn't in the company, but now what they want is the  
13 best of all worlds, they want me to be in the company  
14 and they want me to use whatever it is I have to make  
15 this company successful, and yet they don't want to  
16 pay me the management fee.

17                 So they really started wanting the best  
18 of both worlds and, again, that played a major role in  
19 my own thought process ultimately to say let's just  
20 buy the company and that way there is no management  
21 fee, there is no deduction, they love the fact that I  
22 own a hundred percent of the company as opposed to  
23 nine percent of the company because the psychology is  
24 that he's going to fight very hard for nine but  
25 perhaps he'll fight even harder for a hundred, and

1                   Trump - By Chairman Read

2       they like that. And I can talk about a different kind  
3       of financing, I can talk about putting up my own money  
4       as opposed to, you know, as opposed to obviously not  
5       being able to put up your own money, just having to  
6       rely on a market which is close to nonexistent at this  
7       moment in time.

8                   Q     So by the time you made your \$15 a share  
9       offer you pretty well abandoned the idea of the  
10      Management Agreement being the way to go?

11                  A     It was becoming a very difficult situation  
12      in terms of financing, in terms of lawsuits, in terms  
13      of litigation. You saw the same lawsuits that I saw  
14      because I guess copies were sent down and there were  
15      so many different problems. And when even the lawyers  
16      for the shareholders would say why don't you just buy  
17      the company, and they would say that. And ultimately  
18      they settled the lawsuits and they were satisfied.  
19      These same vicious lawsuits they were willing to  
20      settle, the same people that were ranting and raving  
21      to you and to everybody else, they were willing to  
22      settle the lawsuits. They wanted me to buy -- they  
23      wanted me to buy the company.

24                  I think one other thing came up that I  
25      hadn't thought of as much as some of my people

1                   Trump - By Chairman Read

2 initially, and that would be down the road there would  
3 always be more of this, and I started to see it,  
4 because it was really -- it was really during the end  
5 of the hearings that we were bombarded with lawsuits.  
6 I never realized how many lawyers there were. I never  
7 had a thing like this before. I'd like to ask, there  
8 was 19 lawsuits?

9                   MR. STERNS: 14.

10          A      14? 14 lawsuits. You know, every day,  
11 boom, boom, boom, and this was towards the end of the  
12 hearing and beyond the hearing during this three-week  
13 period before the approval. And I started to realize  
14 that this is just one aspect. This is a management--

15          Q      I'm sorry, I missed that. Between the end  
16 of the hearing and the three-week period--

17          A      Well, there was close to a three-week  
18 period. We waited I think two weeks, two and a half  
19 weeks prior to the approval and then--

20          Q      But the hearing finished on the 10th of  
21 December and you got your opinion on the 16th.

22          A      I'm not sure exactly. There was a period of  
23 -- I thought it was a couple of weeks. How long was  
24 it?

25                   MR. RIBIS: The 10th to the 16th.

1                   Trump - By Chairman Read

2       A     10th to the 16th?

3       Q     10th to the 16th.

4       A     Oh, okay. Sorry. Anyway, it seemed like  
5 longer.

6                   The fact is that I was being bombarded  
7 with lawsuits and I started to realize that under  
8 these circumstances and having two other properties  
9 down there where I own a hundred percent of the  
10 properties, everything I ever do at the other  
11 properties, and I started to see it, I even started to  
12 hear it from lawyers on the other side where they're  
13 saying conflict and this and that, even though there  
14 would be no conflict.

15                  Anything I did, if I had a fight, if I  
16 signed Mike Tyson to fight Spinks Resorts'  
17 shareholders will sue me why didn't I have it at the  
18 Taj Mahal, why did I have it at the Convention Hall,  
19 even though the Convention Hall holds more people.  
20 Everything I did would have been subject to lawsuits  
21 and conflicts and everything else. It was just a  
22 whole lot of reasons. It just seemed like a lot  
23 simpler solution.

24       Q     So that you really pretty much abandoned the  
25 idea of going forward with the Management Agreement

1                   Trump - By Chairman Read

2 once you made your offer to purchase the stock. If  
3 that's the case, why did you as of the 27th of January  
4 when we had the hearing on the reopening as to the  
5 Management Agreement resist the question of giving up  
6 any right to commissions or fees at the end of the  
7 ten-year period whether or not the Taj was completed  
8 or not?

9                   A     Well, I'll tell you, that was something that  
10 I didn't resist. I wasn't really involved in that  
11 initially, Mr. Freeman resisted, and that was because  
12 he didn't really speak to me. I had no problem with  
13 that.

14                  Q     That's come up now more than once in this  
15 hearing. All I can say is you are responsible for the  
16 representations of your representatives.

17                  A     I agree with that. I agree with that, but  
18 Mr. Freeman felt strongly about it, more strongly than  
19 I, and ultimately we did give that up.

20                  Q     With respect to the question I just raised  
21 I'd like to go back over something Commissioner  
22 Armstrong asked about, and that was with respect to  
23 the November hearing at the CRDA, there was a question  
24 about whether or not you had ever at any time  
25 authorized any sort of or an absolute payment toward

1 Trump - By Chairman Read

the inlet area provided the conceptual approval was given for the work as outlined on the urban renewal tract.

5 My understanding now is that you are  
6 saying you had never authorized any such payment. I  
7 think the figures she used were 20 to \$40,000,000.  
8 Let's take the lowest figure. Were you ever aware of  
9 or authorize any such payment?

10 A Not that I remember at all.

Q Not that you remember at all?

12 A I don't remember it at all. I'll go  
13 stronger. I'll say I never authorized it.

14 Q Are you aware that Mr. Glideman, Executive  
15 Vice President, made that representation on your  
16 behalf?

17 A I am not

18 Q Mr. Miller I think was also there. He was  
19 in the McGahn office. Was Mr. McGahn representing you  
20 in that matter?

21 A I believe he was

22 Q But you were not aware of those  
23 representations?

24 A T was not aware of it sir

25 Q You did say, I think, in connection with Mr.

Trump - By Chairman Read

2 Vukcevich's cross-examination that you were, in fact,  
3 making the Taj a smaller building with the  
4 incorporation of Resorts by cutting casino space, by  
5 cutting the entire operation back. Can you explain  
6 that a little more fully? I didn't quite understand.

7           A       Smaller in the sense of less casino space.  
8 The Taj would end up having 2,000 as opposed to the  
9 1250, but it's smaller in the sense of the casino  
10 space, which is what I was referring to. It was going  
11 to have 40 or 60, I don't know, because they were  
12 talking about -- Resorts was originally talking about  
13 cutting back on the Taj casino, on the old Resort  
14 casino, plus a hundred. And what we did is made it  
15 120 and closed the other casinos, so it's smaller in  
16 terms of the casino space.

17 Q But if I understand it correctly, your  
18 concept was really to make Resorts one part of the Taj  
19 so that they could pick up that additional room space  
20 and convention space and that sort of thing?

21           A       Well, separate but a part of the Taj.  
22       Separate in the sense that it would be called Resorts  
23       International Hotel, it wouldn't be called the Taj  
24       Mahal. It's connected by a bridge. We'd like to use  
25       the restaurants and the other amenities that are

7                   We want to fix it up, we want to make  
8                   it really a beautiful hotel, and then I want to have  
9                   the Taj Mahal be separate with the understanding that  
10                  we're going to be using the rooms and the restaurants  
11                  and the other amenities in the existing Resorts  
12                  International Hotel

13 Q With respect to the Housing Authority  
14 requirements under the agreement now entered into,  
15 you've indicated you wanted an Estoppel Agreement, yet  
16 I think I understood that your primary concern there  
17 was to know in advance that the expiration date of the  
18 wedding completion would have to be met on the Taj to  
19 avoid the problem of having the land forfeited back to  
20 the Housing Authority.

21 Is that the primary concern that you  
22 have with respect to that?

23           A       Well, I would say it would have been my  
24 primary concern. Yes, the rescission aspect of it is  
25 my primary concern.

1                   Trump - By Chairman Read

2                 Q     Again, on Mr. Vukcevich's cross-examination  
3     as to the Housing Authority agreement, initial  
4     agreement, your indication was I can't tell you with  
5     certainty since I haven't reviewed it myself.

6                   Mr. Trump, I will remind you that on  
7     June 10th we adjourned the hearing in connection with  
8     your original acquisition of the Resorts stock from  
9     the Crosby/Murphy combination until you had had an  
10   opportunity to have that thoroughly reviewed by  
11   yourself or by anybody on your behalf who could  
12   explain it to you so you could be thoroughly satisfied  
13   that you understood what that requirement was.

14                  It's my understanding that in  
15   connection with that hearing the representation was  
16   made to this Commission that you had had an  
17   opportunity to review it, and I think Mr. Freeman came  
18   back and made that representation to us, that he had  
19   reviewed it and had an opportunity to explain it to  
20   you.

21                  In view of that how can you tell us at  
22   this time that you can't answer questions with  
23   certainty because you're not familiar with that  
24   agreement?

25                 A     Well, I'd like to be as precise as I can

4 Q I'm talking about the agreement that existed  
5 between Resorts and the Housing Authority that was in  
6 effect at the time of the June hearings.

7           A        Mr. Freeman did explain it to me and I spoke  
8        with Mr. Donnelly and I have an understanding of it,  
9        but I'm not sure that anybody really understands it,  
10      including the people that drew it, because I'm not  
11      sure that anybody really understands what that  
12      agreement in the truest sense means.

13 Q If that's the case, Mr. Trump, I want Mr.  
14 Freeman on the stand at this time to explain his  
15 direct testimony at the time of that hearing.

16 A Okay.

17 CHAIRMAN READ: I have no further  
18 questions.

21 EXAMINATION BY COMMISSIONER ARMSTRONG:

22 Q Mr. Trump, being the Commissioner for  
23 Atlantic County you tend to hear things, rumors, et  
24 cetera. And I heard a rumor that I hope isn't true  
25 but I wanted to ask you about it, something to the

1                   Trump - By Commissioner Armstrong  
2 effect that Resorts has substantially stopped paying  
3 its vendors, say within -- well, since approximately  
4 Christmastime that there's been a substantial  
5 withholding of payment to construction vendors and/or  
6 goods or services vendors. Is there any truth to  
7 that?

8                   A      There has been at Resorts a slowdown in the  
9 payments to the vendors, yes, because of the fact that  
10 the company is just not in a position to pay the  
11 vendors in full until such time as this is resolved  
12 and the financing is gotten. That's correct.

13                  COMMISSIONER ARMSTRONG: Thank you.

14                  CHAIRMAN READ: Mr. Zimmerman?

15                  MR. ZIMMERMAN: No questions.

16                  CHAIRMAN READ: Mr. Ribis?

17                  MR. RIBIS: I having nothing else.

18                  CHAIRMAN READ: Mr. Vukcevich?

19                  MR. VUKCEVICH: I just have a few.

20                  RECROSS-EXAMINATION BY MR. VUKCEVICH:

21                  Q      My understanding from the last hearing was  
22 that as far as Resorts was concerned in terms of the  
23 Management Agreement, that that was a ten-year  
24 obligation and even if you were to be absent from the  
25 Trump Organization that the Management Agreement would

1                   Trump - Recross by Mr. Vukcevich  
2 continue during the life of the continuing term.

3                   A      Correct.

4                   Q      Do you feel that you have any absolute right  
5 to termination of the agreement at any time or for any  
6 reason?

7                   A      Can I terminate the agreement?

8                   Q      Yes.

9                   A      I don't believe so without the appropriate  
10 asking of the independent directors or discussion with  
11 the independent directors or asking them, you know, to  
12 terminate it. I don't believe I would have a right to  
13 terminate them.

14                  Q      In view of the merger proposal has the  
15 Services Agreement been put -- in other words, has  
16 your performance under the Services Agreement been put  
17 in abeyance or are you still performing under the  
18 Services Agreement?

19                  A      Well, I am performing under the Services  
20 Agreement and I think I'm performing well under the  
21 Services Agreement. The Taj Mahal is I think for the  
22 first time the Taj Mahal we know exactly what we're  
23 building, when we're building it, and we're getting  
24 the costs to a point where I think at the end of a  
25 period of a year from now, let's say by March, the Taj

1                   Trump - Recross by Mr. Vukcevich

2 Mahal will be opened and it will be very successful.

3                   I mean, a lot of work is being done by  
4 us on this company to make this a great company. And  
5 I believe I'm working much harder than I even thought  
6 I had to, whether you call it under the Services  
7 Agreement or just because I'm doing it, but under the  
8 Services Agreement I'm working very hard.

9                   I told you about working with the  
10 contractors, getting everything straightened out,  
11 hiring designers. We have new designers on the job,  
12 we have a lot of new people on the job, and the key,  
13 again, to Resorts is getting this building built and  
14 getting it built from a practical standpoint, getting  
15 it built aesthetically beautifully and in getting it  
16 open and getting it financed, and that's what this  
17 company is all about for the next year.

18                   And I've been working very hard on that  
19 and I think that it's become -- I think it's becoming  
20 more and more clear to me that this is going to be  
21 successful.

22                   MR. VUKCEVICH: I have no further  
23 questions.

24                   CHAIRMAN READ: Any further questions  
25 from the Commission?

1                   Freeman - Direct by Mr. Sterns

2                   (No response.)

3                   CHAIRMAN READ: Thank you, Mr. Trump.

4                   THE WITNESS: Thank you, sir.

5                   MR. STERNS: Mr. Chairman, we'll call  
6                   Mr. Freeman.

7                   (At which time Mr. Freeman took the  
8 stand.)

9                   H A R V E Y   F R E E M A N, having been first duly  
10                 sworn, testified as follows:

11                 DIRECT EXAMINATION BY MR. STERNS:

12                 Q         Mr. Freeman, what is your current position  
13                 with regard to Resorts International?

14                 A         I am a director of the company.

15                 Q         And at the time that you appeared here in  
16                 June of 1987, what was your position then in June of  
17                 1987?

18                 A         I'm not sure we had closed prior to then. I  
19                 was an Executive Vice President of the Trump  
20                 Organization and involved with Mr. Trump in his  
21                 purchase of the Resorts shares.

22                 Q         And do you remember in June being asked to  
23                 review and study the obligation of Resorts  
24                 International under the Urban Renewal Agreement?

25                 A         I do.